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Current Support Brief

DECLINE IN CHINESE COMMUNIST EXPORTS OF TIN
HELPS FORCE WORLD PRICE TO RECORD LEVEL



CIA/RR CB 64-7

January 1964

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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DECLINE IN CHINESE COMMUNIST EXPORTS OF TIN
HELPS FORCE WORLD PRICE TO RECORD LEVEL

A drop in Chinese Communist exports of tin and the fact that consumption in the Free World continued to exceed production caused the price of tin on the London (world) market to move above 1,000 pounds sterling per long ton in December 1963, the highest level since the Korean War. Chinese exports (and presumably production) declined roughly 50 percent during the 1960-63 period; as a result, the USSR and the Communist Bloc as a whole have shifted from the position of a net exporter of tin to that of a net importer. There is no evidence that Chinese exports will increase significantly for at least the next year or two, nor is any rapid increase of output in the Free World anticipated. Meanwhile, sales from the US tin stockpile may keep the price from rising significantly above the level of 1,000 pounds sterling.

1. Shift in the Tin Position of the Bloc

During 1963, for the first time in 8 years, the Sino-Soviet Bloc became a net importer of tin from the Free World. Substantial Chinese exports of tin to the West were more than offset, as indicated in Table 1,

Table 1

Sino-Soviet Bloc: Net Trade of Tin Metal with the Free World
 1956-63

Year	Thousand Metric Tons			
	Communist China	USSR	European Satellites	Net Trade
1956	0.4	1.2	Negl.	1.6
1957	1.8	12.0	-0.1	13.7
1958	4.0	18.4	Negl.	22.4
1959	3.6	13.9	-0.1	17.4
1960	4.7	8.5	-0.2	13.0
1961	6.5	2.0	-2.4	6.1
1962	5.6	-0.8	-4.2	0.6
1963 a/	6.0	-5.1	-3.0	-2.1

a. Annual tonnage computed from data for January through July.

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by increased purchases of tin by the USSR and the European Satellites. Chinese sales to the West have ranged from 5,600 to 6,500 tons* each year since 1960, whereas sales by the USSR, which reached a peak of 18,400 tons in 1958, had declined to negligible amounts by 1961. Since 1961 the USSR has purchased increasing quantities of tin from the West, with such imports approximating 5,000 tons in 1963. Imports by the European Satellites from the Free World amounted to about 3,000 tons in 1963.

The rise and fall in Bloc exports in recent years is traceable largely to shifts in the Chinese Communist position. China's tin industry, as a result of extensive Soviet assistance in engineering and equipment, was modernized and expanded during the 1950's. By 1959, Chinese output of tin metal probably was approximately 30,000 tons annually, 70 to 80 percent of which was produced in Soviet-built facilities at Ko-chiu, in southwestern China. China's consumption of tin, however, is small, ranging from possibly 2,000 to 3,000 tons annually. Thus production is primarily for export. As shown in Table 2, Chinese exports rose to a peak of 27,000 tons in 1959 but since have declined to an estimated total of 10,000 to 15,000 tons in 1963. Shipments to the USSR have risen and fallen in similar fashion and provided the basis for large Soviet exports to the Free World in 1957-59. Shipments to the European Satellites have been maintained, and sales to the Free World have increased considerably, amounting to roughly US \$14 million to US \$16 million of foreign exchange earnings annually since 1961.

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The reason for the decline in Chinese Communist exports is unknown. During 1962-63, [REDACTED] 25X1D 25X1D 25X1D

[REDACTED] tin-processing facilities were active [REDACTED] the level of output. Perhaps the facilities are being operated at less than capacity as a result of technological problems in the large mines as well as the closure since 1960 of many primitive labor-intensive "native" mines. Taken together, these two factors would have reduced substantially the output of tin in concentrates. Again, it is conceivable that the Chinese, for some unknown reason, are holding exports to the Free World at a constant level and are building up stocks of tin. The latter seems unlikely, however, in view of the country's need for foreign exchange.

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* Unless otherwise indicated, tonnages throughout this publication are given in metric tons. [REDACTED]

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Table 2
Chinese Communist Exports of Tin Metals
1956-63

Thousand Metric Tons				
<u>Year</u>	<u>Total</u>	<u>USSR</u>	<u>European Satellites</u>	<u>Free World</u>
1956	16.5	15.7	0.4	0.4
1957	24.3	22.0	0.5	1.8
1958	24.7	19.3	1.4	4.0
1959	27.1	20.8	2.7	3.6
1960	25.1	17.7	2.7	4.7
1961	20.6	11.2	2.9	6.5
1962	15.5 <u>a/</u>	8.8	1.1 <u>a/</u>	5.6
1963	10 to 15 <u>b/</u>	4 <u>c/</u>	N.A.	6.0 <u>d/</u>

a. Data on shipments to Hungary and East Germany are incomplete.

b. Estimated.

c. Annual tonnage computed from data for January through November.

d. Annual tonnage computed from data for January through July.

2. Impact on the Free World Market

The decline in exports of tin by the Bloc has had a significant impact on the Free World market in recent years. As shown in Table 3, consumption of tin in the Free World has exceeded production each year since 1957, even though output has increased since the late 1950's. Since 1959, production has been steady at about 145,000 tons annually, whereas consumption has averaged 162,000 tons per year. Malaysia, the world's largest producer of tin (40 percent of the Free World's output of concentrates and 57 percent of the tin metal in 1962), has increased its production significantly since 1958-59 as have several lesser countries, including Thailand and Nigeria. Such increases have been offset to a considerable extent, however, by declining levels of output in a number of other important tin-producing nations. Output of concentrates in the nationalized industry of Indonesia, the third largest producer in the Free World, has fallen off roughly 20 percent, and output in the strife-torn Republic of the Congo (Leopoldville) about 22 percent. Bolivian production, the second largest in the West in 1962, was approximately 8 percent below that of 1959, largely as a result of increased union interference in the operation of the government-owned mines.

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Table 3

Impact of the Decline in Bloc Exports of Tin
1956-63

Year	Thousand Metric Tons			Net Imports from the Bloc	Average London Price (Pounds Per Long Ton)
	Free World Production	Free World Consumption	Balance		
1956	169.7	152.4	17.3	1.6	787.7
1957	160.9	145.3	15.2	13.7	754.8
1958	122.9	138.2	-15.3	22.4	734.9
1959	115.8	150.4	-34.6	17.4	785.4
1960	147.8	164.6	-16.8	13.0	796.6
1961	141.2	161.5	-20.3	6.1	888.6
1962	145.8	161.6	-15.8	0.6	896.5
1963 <u>a/</u>	145.0	161.0	-16.0	-2.1	1,029.0 <u>b/</u>

a. Annual tonnage computed from data for January through July.

b. Average price on the London market as of 18 December 1963.

During 1958-60, shortfalls in production of tin in the Free World were matched to a considerable extent, as shown in Table 3, by Bloc sales in the West. In this 3-year period the shortfall totaled 67,000 tons compared with imports from the Bloc of 53,000 tons. However, withdrawals from stocks began in 1959 and have continued. Consumer stocks as well as stocks of most tin brokers have been reduced as have been the non-commercial stocks of the Italian and Canadian governments. The US Government since 1962 has been releasing quantities of tin from the approximately 164,000 tons of tin designated as being in excess of the requirements of the national stockpile, 50,000 tons of which have been authorized by Congress for disposal over an extended period. In addition, the International Tin Council (ITC), formed in 1956 by key producing and consuming nations of the Free World (except the US) to cushion wide fluctuations in price, had exhausted its buffer stock of tin by the end of 1963. The continued drain on stocks since 1959 presumably is responsible for the increase in the average world price from about 800 pounds sterling in 1960 to more than 1,000 pounds sterling in December 1963.

3. Prospects

Prospects for a rapid increase in world production of tin during the next 2 to 3 years are dim. Production of tin in the USSR is expected to increase to possibly 26,000 tons by the mid-1960's (compared with an estimated total of 23,500 tons in 1963), but available information indicates that output will continue to lag behind consumption by several thousand tons annually. Chinese exports of tin probably will not increase significantly in the near future, barring some dramatic change in the situation such as Western assistance in expanding China's production of tin.

For the large and efficient Western companies, the instituting of adequate long-term investment safeguards on the part of the producing countries reportedly is indispensable for any new expansion programs that involve large capital expenditures over an extended period. For other producers, such as the nationalized industry of Indonesia, a lack of adequate technical skills as well as a shortage of funds probably will insure against any significant increases during the next year or so. In addition, a key task confronting practically all of the tin industries of the Free World is the increasing need to develop new reserves sufficient to take care of growing long-term demand.

Sufficient surplus tin is held in the stockpile of the US Government to cover the world deficit in tin for several years. In this connection, the ITC in a meeting held on 2-4 December 1963 regarding the high world price for tin reportedly concurred in US sales of up to 500 tons of tin weekly at any time that the price is between 965 and 1,000 pounds per long ton. In addition, it was reported that the ITC would be prepared for the US to sell tin in "quantities sufficient to meet demand" when the price is about 1,000 pounds sterling per long ton.

Analyst:

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Coord:

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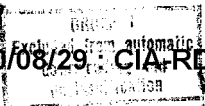
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